

G-011/M-91-989 ORDER APPROVING PROPOSAL, ALLOWING DEFERRAL OF
COSTS, AND REQUIRING FURTHER FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Peoples Natural
Gas Company's Request to
Establish a Tariff for Repairing
and Replacing Farm-Tap Lines

ISSUE DATE: January 20, 1994

DOCKET NO. G-011/M-91-989

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PROCEDURAL HISTORY

On October 26, 1992, the Commission issued its ORDER REJECTING PROPOSAL, ALLOWING SERVICE, AND REQUIRING FURTHER FILINGS. In that Order the Commission rejected the farm-tap proposal submitted by Peoples Natural Gas Company (Peoples or the Company). The Commission found that the Company's farm-tap repair and maintenance service should be non-regulated. The Commission required the Company to submit annual farm-tap safety reports, and certain compliance filings.

In Orders dated May 25, 1993, and October 5, 1993, the Commission approved the proposed tariff and ordered Peoples to conduct periodic safety inspections of its customers' farm-tap lines, bearing in mind the recommendations of the Office of Pipeline Safety. The Commission directed Peoples to develop and file a financing program for farm-tap customers who must repair or replace their lines. The May 25 Order stated that in its next general rate case the Company should submit cost information and a cost recovery proposal for the safety inspection program.

On October 27, 1993, Peoples submitted its amended farm-tap safety inspection proposal. In the filing the Company requested permission to recover its program costs on a current basis. Peoples also asked the Commission to clarify whether financing for line maintenance and repair costs should be on a regulated or a non-regulated basis.

On November 22, 1993, the Department of Public Service (the Department) filed comments expressing agreement with the Company's proposals and recommending that financing be on a non-regulated basis.

The matter came before the Commission for consideration on January 6, 1994.

FINDINGS AND CONCLUSIONS

I. The Safety Inspection Proposal

The Company's safety inspection proposal, filed October 27, 1993, incorporated the following four suggestions from the Office of Pipeline Safety:

1. Each farm-tap line should be inspected for a distance of 100 yards instead of 50 yards from all significant farm buildings;
2. The inspections should be scheduled so that lines that are essentially the most hazardous are inspected first and that all lines are inspected over the three year period;
3. The three year inspection plan will determine whether to replace or abandon all lines found to be hazardous and the program will be reassessed after three years;
4. References to the National Gas Fuel Code should be changed to the Code of Federal Regulations, CFR 49, Part 192.

The Commission finds that the Company's amended proposal is a reasonable program for promoting farm pipeline safety. The proposal adequately reflects the recommendations of the Office of Pipeline Safety. The plan will be subject to review in three years, after the first round of inspections, or in the Company's next rate case, whichever comes sooner. This will afford the Commission adequate opportunity to monitor the program and require adjustments if necessary.

II. Cost Recovery

In its October 5, 1993 Order, the Commission directed the Company to refile its farm-tap inspection proposal, including the related cost recovery and repair financing issues. The Commission stated that it would then decide the merits of the proposal, the cost recovery method, and whether the financing program should be regulated or non-regulated.

In its refiling, the Company requested current recovery of its safety inspection costs. The Company proposed a \$3.80 per month surcharge per farm-tap customer to cover estimated costs, with the amount of the surcharge subject to review at the end of the three year inspection cycle or in the Company's next rate case.

Peoples argued that the farm inspection program is a new cost ordered by the Commission; as such, it should be eligible for recovery outside a rate case. The Company argued that there is no reason to delay cost recovery, because all the facts are currently available to the Commission and the parties do not dispute the estimated costs. The Department agreed with the Company's proposal.

The Commission finds that the safety inspection costs should not be recovered on a current basis, but should be deferred until full consideration is afforded them in the Company's next rate case. Although an estimate has been provided, it is difficult to determine at this time what the long term costs of the project will be. A current surcharge on farm-tap customers may be premature because the Commission has not yet determined which customer group or groups should bear the cost. Finally, a rate design decision such as this should be decided in the full context of a rate case rate design determination. The Commission will not allow the Company to recover its safety inspection costs on a current basis, but will allow the Company to defer those costs until they are considered in its next general rate case.

III. Financing for Repairs

The Company asked for clarification of the Commission's May 25, 1993 Order requiring it to develop and file a plan for offering financing for maintenance and repair of farm-tap lines. The Company noted that the Commission's October 26, 1992 Order allowed Peoples to provide maintenance and repair of farm-tap lines on a non-regulated basis. The Company specifically wanted to know if its financing operation should be regulated or non-regulated.

The Department recommended that the financing of maintenance and repair costs be on a non-regulated basis. The Department stated that the Company's repair and maintenance service is non-regulated and its related financing program should be non-regulated as well.

The Commission agrees with the Department that the financing operation should be non-regulated. Farm-tap lines are customer-owned equipment which is not subject to Company control. The Commission has required Peoples to conduct safety inspections of the farm-tap lines as part of its regulated gas service because of the overriding public interest in maintaining public safety. It is logical to separate the other issues surrounding the farm-tap lines from the Company's main regulated gas enterprise.

The Commission notes that in a non-regulated setting Minn. Rules, part 7820.1300, subp. B, Non-Permissible Reasons to Disconnect Service, would preclude Peoples from disconnecting farm-tap lines

for non-payment of repair bills. The Company should be adequately protected, however, by its own application screening process and its credit and collateral policies.

The Commission will allow Peoples to offer financing of farm-tap maintenance and repair services on a non-regulated basis. The financing program will thus not be tarified in rates as a regulated service.

ORDER

1. The Commission approves the Company's amended farm-tap safety inspection proposal. The Commission will review the results of the program at the end of the first three year inspection cycle or in the Company's next general rate case, whichever comes first.
2. The Commission will review the Company's cost recovery for its safety inspection program in the Company's next general rate case. The Company may defer costs of the program until the rate case review.
3. Peoples may offer a financing program for costs of repair and maintenance of farm-tap lines on a non-regulated basis.
4. Within 30 days of the date of this Order, the Company shall submit a revised customer brochure. In the brochure the Company shall discuss safety concerns and the responsibility of the customers for their farm-tap lines. The brochure shall notify the customers of the details of the Company's safety inspection program and of customer options for obtaining maintenance and repair service. The Commission-approved brochure shall be mailed to all prospective new farm-tap customers before they take service and to all existing farm-tap customers on an annual basis.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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